

Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 SP-02 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00 FRB-03
INR-07 XMB-02 OPIC-03 LAB-04 SIL-01 PM-04 H-01
L-03 PA-01 PRS-01 MC-02 ACDA-07 AGRE-00 /089 W
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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 2416

C O N F I D E N T I A L KINSHASA 2450

E.O. 11652: GDS

TAGS: EFIN, CG, US

SUBJECT: GOZ-USG BILATERAL DEBT AGREEMENT: GOZ VIEWS

REF: A) STATE 055981, B) KINSHASA 3046, MARCH 13, 1973,
C) STATE A-458

1. SUMMARY: IN FIRST SUBSTANTIVE DISCUSSION OF USG DRAFT
BILATERAL DEBT RESCHEDULING AGREEMENT, FINANCE COUNSELOR MUANDA
PROPOSED REDUCTION OF INTEREST RATE ON RESCHEDULED EXIM, DOD
AND CCC LOANS TO BETWEEN 8.0 PER CENT AND 8.125 PER CENT.
EMBOFFS POINTED OUT THAT INTEREST RATE OFFERED REPRESENTED
LOWEST CURRENT LENDING RATE OF EXIM AND HAD BEEN ACHIEVED ONLY
AFTER LONG NEGOTIATIONS WITHIN USG. THEY ADDED THAT BLENDED
INTEREST RATE OFFERED BY USG WAS A MODEST 7.77 PER CENT AND
EXPRESSED CONCERN THAT DELAYS IN FINALIZING THE BILATERAL COULD
JEOPARDIZE THE SIGNING OF THE NEW FMS PROGRAM. MUANDA SUGGESTED
A FEW OTHER, LESS SUBSTANTIVE CHANGES, IN THE TEXT OF THE
BILATERAL WHICH HE ASKED US TO CONSIDER. END SUMMARY.

2. AFTER NUMEROUS UNSUCCESSFUL ATTEMPTS TO REACH DEPARTMENT
OF FINANCE COUNSELOR MUANDA AND/OR FINANCE COMMISSIONER
BOFOSSA, AMBASSADOR CUTLER CALLED BOFOSSO AND OUTLINED DEPT'S
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CONCERN THAT DELAYS IN SIGNING BILATERAL COULD JEOPARDIZE
SIGNING OF FY77 FMS CREDIT. MUANDA PHONED EMBOFFS MARCH 17 AND
ASKED THAT THEY COME IMMEDIATELY TO CLEAR UP A FEW SMALL
QUESTIONS ON THE BILATERAL, SAYING THAT HE THOUGHT THE AGREEMENT
COULD BE READY FOR SIGNATURE "TOMORROW MORNING".

3. MUANDA OPENED MEETING BY REFERRING TO ARTICLE III, PARA-

GRAPH 4, WHICH STATES "IT IS UNDERSTOOD THAT MINOR ADJUSTMENTS MAY BE MADE IN THE AMOUNTS SPECIFIED..." MUANDA SAID GOZ WOULD PREFER TO HAVE "LEGEREMENT" ELIMINATED FROM FRENCH VERSION OF THIS SENTENCE. HE EXPLAINED THAT EVEN WITH COMPUTERIZED AND SYSTEMATIC RECORDS OF USG, IT WAS POSSIBLE THAT MAJOR ERROR COULD BE MADE THAT WOULD REQUIRE ADJUSTMENTS THAT COULD NOT REASONABLY BE CONSIDERED "MINOR". EMBOFFS SUGGESTED THAT USE OF WORD "MINOR" OR "LEGEREMENT" WAS PROBABLY DESIGNED TO ASSURE ZAIRIANS THAT ANY ADJUSTMENTS DUE TO RECALCULATION OF INTEREST CHARGES WOULD NOT CAUSE LARGE INCREASE IN GOZ OBLIGATIONS. MUANDA ACKNOWLEDGED THIS POINT BUT REITERATED THAT GOZ WOULD RATHER OMIT THE WORD "LEGEREMENT".

4. MUANDA THEN SUGGESTED THAT IN ARTICLE IV, PARAGRAPH 4, THE WORD "ARREARAGES" BE REPLACED BY THE WORD "ARRIERES", WHICH MUANDA SAID MORE EXPLICITLY EXPRESSED IN FRENCH THE CONCEPT OF OVERDUE PAYMENTS OR ARREARAGES. EMBOFFS TOOK NOTE OF THIS SUGGESTION.

5. MUANDA THEN TURNED TO LARGER QUESTIONS. THE INTEREST RATE OF 8.375 PER CENT OFFERED BY EXIM, DOD AND CCC, MUANDA SAID, WAS UNACCEPTABLE. THE GOZ, MUANDA SAID, HAD EXPECTED MORE FROM ITS AMERICAN FRIENDS. EMBOFF'S POINTED OUT THAT USG WAS OFFERING A WEIGHTED INTEREST RATE OF 7.77 PER CENT. THEY NOTED THAT 8.375 PER CENT WAS THE MINIMAL RATE OF INTEREST CHARGED ON NEW EXIM LOANS. THEY ADDED THE USG HAD TAKEN A CONSIDERABLE AMOUNT OF TIME BEFORE PRESENTING ITS BILATERAL. DURING THIS TIME STRONG EFFORTS WERE MADE TO OBTAIN AN INTEREST RATE AS LOW AS POSSIBLE ON EXIM, DOD AND CCC LOANS. THE 8.375 PER CENT INTEREST

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RATE OFFERED IN DRAFT BILATERAL WAS THE FRUIT OF THESE LONG NEGOTIATIONS AND WE UNDERSTOOD THAT THERE WAS NO CHANCE OF IMPROVING UPON IT. MUANDA SAID THAT THE 8.375 PER CENT WAS ABOVE RATES DEMANDED ON COMPARABLE DOLLAR DENOMINATED LOANS RESCHEDULED BY COMPARABLE INSTITUTIONS IN OTHER COUNTRIES. JAPAN, HE SAID, WAS ASKING FOR EIGHT PERCENT AND GOZ HAD JUST TURNED DOWN AS UNACCEPTABLE AN ITALIAN PROPOSAL TO RESCHEDULE DOLLAR DENOMINATED EURO LOANS AT 8.25 PER CENT. HE ADDED THAT BELGIANS HAD AGREED TO THREE PER CENT FOR CONCESSIONAL LOANS AND 7.5 PER CENT FOR COMMERCIAL LOANS. MUANDA THEN DISPLAYED A TABLE THAT HE SAID GAVE THE WEIGHTED AVERAGE OF INTEREST RATES OF LOANS EXTENDED TO ZAIRE BY VARIOUS COUNTRIES. THE RATE FOR THE U.S. WAS 7.3 PER CENT. MUANDA SAID GOZ WOULD LIKE TO SEE A BLENDED INTEREST RATE OF 7.3 PER CENT AND SUGGESTED THAT THIS COULD BE ACHIEVED IF RATE CHARGED ON EXIM, DOD AND CCC LOANS WERE LOWERED TO BETWEEN 8.0 AND 8.125 PER CENT. HE REITERATED HOPE THAT ZAIRE'S "AMERICAN FRIENDS" COULD BE MORE FORTHCOMING, PARTICULARLY CONSIDERING ZAIRE'S PRESENT ECONOMIC DIFFICULTIES. EMBOFFS REITERATED POINTS OUTLINED PARA FIVE ABOVE AND POINTED

OUT THAT USG WAS CONCERNED THAT REOPENING INTEREST RATE ISSUE WITHIN USG COULD JEOPARDIZE OR DELAY SIGNATURE OF FY77 FMS AGREEMENT. THEY ADDED THAT USG RECOGNIZED ZAIRE'S ECONOMIC PROBLEMS AND WAS EXTENDING AID THROUGH PL480, CIP, AND AID PROGRAMS. THEY EMPHASIZED THAT USG CONSIDERED WEIGHTED INTEREST OF 7.77 PER CENT AS BEST THAT USG COULD OFFER AND NOTED THAT IT WAS LESS THAN WEIGHTED INTEREST OF DEBT RESCHEDULING AGREEMENTS CONCLUDED WITH SOME OTHER CREDITORS.

6. MUANDA THEN TURNED TO THE 3.5 PER CENT INTEREST RATE ON AID AND PL480 LOANS AND ASKED WHETHER WE DID NOT WISH TO FOLLOW BELGIAN EXAMPLE AND RESCHEDULE THESE AT A THREE PER CENT INTEREST RATE. EMBOFFS RESPONDED THAT 3.5 PER CENT WAS THE LOWEST RATE WHICH COULD LEGALLY BE ACCEPTED IN RESCHEDULING THESE LOANS. MUANDA TOOK NOTE OF THIS BUT REQUESTED THAT WE ADVISE WASHINGTON OF GOZ'S COUNTERPROPOSAL ON EXIM, DOD AND CCC LOANS.

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UM HAVING REACHED AN IMPASSE ON THE INTEREST RATE ISSUE, MUANDA THEN TURNED TO SECOND SENTENCE OF ARTICLE IV, PARA 1. TO PROVIDE USG WITH COPIES OF CONSOLIDATION ACCORDS REACHED WITH ALL OTHER PARIS CLUB PARTICIPANTS WAS, MUANDA SAID, "DELICATE". WHEN QUERIED AS TO WHETHER ZAIRE CONSIDERED THESE AGREEMENTS TO BE CONFIDENTIAL, MUANDA SAID THAT, FOR ITS PART, ZAIRE HAD NO OBJECTION TO THE RELEASE OF THE AGREEMENTS BUT SAID THAT GOZ DID NOT WISH TO TAKE INITIATIVE IN RELEASING THEM. HE THOUGHT IT WOULD BE MORE APPROPRIATE FOR USG TO OBTAIN COPIES DIRECTLY FROM ITS PARIS CLUB PARTNERS. MUANDA NOTED THAT NO OTHER COUNTRY HAD ASKED FOR COPIES OF THE OTHER AGREEMENTS AND THAT TO PROVIDE THEM TO USG ALONE WOULD BE "PREFERENTIAL TREATMENT".

8. FINALLY, MUANDA POINTED OUT THAT IN THE TITLE OF THE ACCORD IT WOULD PROBABLY BE BETTER TO REFER TO THE "CONSEIL EXECUTIVE" RATHER THAN THE "GOUVERNMENT" OF ZAIRE. EMBOFFS ASKED HOW THIS HAD BEEN HANDLED IN PAST AGREEMENTS SUCH AS PL480. MUANDA SAID HE DID NOT KNOW BUT SAID THAT IF "GOUVERNMENT" HAD BEEN USED IN THE PAST, HE WOULD ACCEPT IT.

9. ZAIRIAN RELUCTANCE TO USE PHRASE "GOVERNMENT OF ZAIRE" HAS ROOTS IN CONSTITUTION AND LAWS OF THE REPUBLIC OF ZAIRE. AS NOTED IN REF B, UNDER ZAIRIAN LAW THE ENGLISH WORD "GOVERNMENT" AND ITS FRENCH TRANSLATION "GOUVERNMENT" ARE NOT TECHNICALLY PERMITTED TO BE USED IN CONNECTION WITH REPUBLIC OF ZAIRE. UNDER THE ZAIRIAN CONSTITUTION THE OFFICIAL ENGLISH EQUIVALENT OF "GOVERNMENT" IS "THE NATIONAL EXECUTIVE COUNCIL" OR THE "CONSEIL EXECUTIVE". THE MARCH 25, 1976, PL430 AGREEMENT, WHICH FINANCE COMMISSIONER FOFOSSA SIGNED, REFERRED TO THE GOVERNMENT OF ZAIRE. HOWEVER, AS THE DEPT NOTED IN REF C,

THE ZAIRIANS SUBSTITUED THE PHRASE "EXECUTIVE COUNCIL/ IN
THE SUBSEQUENT DECEMBER 7, 1976, NOTE FROM THE FOREIGN AFFAIRS
DEPARTMENT. WE SUSPECT THAT THE FOREIGN AFFAIRS DEPARTMENT HAS
ADVISED BOFOSSA THAT, FROM THE POINT OF VIEW OF THE ZAIRIAN
CONSTITUTION AND LAWS, HHIS SIGNATURE OF THE PL480 AGREEMENT
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WAS A TECHNICAL MISTAKE.

10. COMMENT: MUANDA CAREFULLY AVOIDED SAYING THAT GOZ WOULD
REFUSE TO SIGN THE AGREEMENT IF INTEREST RATE OF EXIM, DOD AND
CCC LOANS WAS NOT LOWERED. HE DID INSIST, HOWEVER, THAT GOZ'S
COUNTERPROPOSALS BE PRESENTED TO WASHINGTON. RE MUANDA'S POINT
ON THE NATIONAL EXECUTIVE COUNCIL NOMENCLATURE WE
CAN CONFIRM THAT ALL OFFICIAL (GOZ) COMMUNICATIONS RECEIVED
BY THIS EMBASSY REFER TO DECISIONS OF THE "NATIONAL EXECUTIVE
COUNCIL", NOT THE GOVERNMENT OF ZAIRE.

CUTLER

NOTE: STADIS CAPTION DELETED PER STATE 062515

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